

Message Text

UNCLASSIFIED

PAGE 01 PARIS 10475 01 OF 03 242056Z

72

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PM-03 H-02 L-02 PA-02 PRS-01 USIA-15 /103 W
----- 033399

R 242039Z APR 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8791

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 01 OF 03 PARIS 10475

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: GISCARD ANNOUNCES NEW MEASURES TO STIMULATE
ECONOMY

1. SUMMARY. GOF HAS TAKEN ANOTHER STEP TOWARDS MODIFI-
CATION OF DOMESTIC ECONOMIC POLICY, PACKING SOMEWHAT
MORE PUNCH THAN MARCH 18 MEASURES (PARIS 6939) BUT
STILL ESCHEWING ANY BROAD STIMULUS TO CONSUMPTION
LEST SUCH AN APPROACH FAN ANEW THE FIRES OF INFLATION.
THE MAJOR ASPECTS OF THE PROGRAM WERE OUTLINED BY
PRESIDENT GISCARD D'ESTAING IN HIS "FIRESIDE CHAT" OF
APRIL 23; FINANCE MINISTER FOURCADE SPELLED OUT FURTHER
DETAILS. THE PROGRAM, APPROVED BY THE COUNCIL OF
MINISTERS HOURS BEFORE THE PRESIDENT'S ADDRESS,
PROVIDES FOR SOME 15.5 BILLION FRANCS IN NEW GOVERNMENT
SPENDING TO STIMULATE THE ECONOMY THROUGH PRODUCTIVE
INVESTMENT. THE PROGRAM FEATURES TAX RELIEF FOR
PRODUCTIVE INVESTMENT, AIDS TO THE TELEPHONE SYSTEM, TO
NATIONALIZED INDUSTRY, TO PLANT RECONVERSION AND REGIONAL
DEVELOPMENT, AND SUBSIDIZED LOANS TO PROMOTE INCREASED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 10475 01 OF 03 242056Z

OUTPUT OR EMPLOYMENT, ENERGY SAVINGS OR EXPORTS. THE

PROGRAM IS EXPECTED TO PRODUCE SOME 20 BILLION FRANCS IN ORDERS FOR NEW EQUIPMENT. ALTHOUGH THE PROGRAM IS OF WIDER SCOPE THAN WAS GENERALLY ANTICIPATED, ITS EFFECTS ON THE ECONOMY IN GENERAL AND EMPLOYMENT IN PARTICULAR CAN NOT EXPECT TO BE FELT UNTIL THE LAST QUARTER OF THIS YEAR. END SUMMARY.

2. PRESIDENT VALERY GISCARD D'ESTAING USED HIS "FIRESIDE CHAT" OF APRIL 23 TO ANNOUNCE A SERIES OF NEW ECONOMIC MEASURES TO STIMULATE THE LAGGING FRENCH ECONOMY. THE MEASURES WERE APPROVED BY THE COUNCIL OF MINISTERS EARLIER IN THE DAY AND ELABORATED UPON BY FINANCE MINISTER FOURCADE, BOTH IN HIS APPEARANCE BEFORE THE FINANCE COMMITTEE OF THE ASSEMBLY ON THE 23RD AND IN HIS PRESS CONFERENCE OF THE MORNING OF APRIL 24.

3. NEW MEASURES, INCLUDING THOSE SPECIFICALLY ANNOUNCED BY THE PRESIDENT, INCLUDE THE FOLLOWING:

A. TAX MEASURES

(1) BUSINESSES (OF ALL KINDS, INCLUDING FARMERS AND ARTISANS) WILL RECEIVE A CREDIT FOR 10 PERCENT OF COST OF INVESTMENT GOODS SUBJECT TO DEPRECIATION (EXCEPT BUILDINGS) FOR WHICH ORDERS ARE PLACED BETWEEN APRIL 30 AND DECEMBER 31, 1975. ACTUAL DELIVERY MAY TAKE AS LONG AS THREE YEARS. THIS CREDIT, WHICH APPLIES TO IMPORTED AS WELL AS DOMESTICALLY PRODUCED EQUIPMENT, IS APPLICABLE AGAINST VALUE ADDED TAX PAYMENTS (TVA) DUE THIS YEAR, OR, WHERE TVA DOES NOT APPLY (SMALL FARMERS), WILL BE REFUNDED IN CASH. THIS MEASURE IS EXPECTED TO COST SOME 2 BILLION FRANCS IN REVENUES.

(2) FIRST PARTIAL PAYMENT UNDER ANTI-INFLATIONARY LEVY (PARIS 25778 OF 1974), DUE ON APRIL 30, HAS BEEN CANCELED (THUS SHIFTING PAYMENT OF MORE OF THE 1975 TAX TO FINAL SETTLEMENT DATE OF APRIL 30, 1976).

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 10475 01 OF 03 242056Z

(3) MAXIMUM ALLOWABLE INCOME TAX DEDUCTION ON INCOME FROM DOMESTIC FIXED-INTEREST SECURITIES IS RAISED FROM 2,000 TO 3,000 FRANCS ON TAX RETURNS FOR 1975 FILED NEXT YEAR.

B. CREDITS AND SUBSIDIES

(1) AN ADDITIONAL CREDIT OF 4.2 BILLION FRANCS WILL BE ADDED TO BUDGET FOR 1975 AND PROJECTED BUDGET

FOR 1976 TO ACCELERATE IMPROVEMENTS IN FRENCH TELEPHONE
SYSTEM (NEW LINES, EXTENSION OF AUTOMATIC DIALING). IN
HIS FIRESIDE CHAT, PRESIDENT EXPLAINED CHOICE ON BASIS
OF JOBS CREATED, BUT ALSO NOTED THAT

-- FRENCH TELEPHONE EQUIPMENT INDUSTRY HAS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 10475 02 OF 03 242058Z

72

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PM-03 H-02 L-02 PA-02 PRS-01 USIA-15 /103 W

----- 033406

R 242039Z APR 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8792

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 02 OF 03 PARIS 10475

A LARGE MARGIN FOR INCREASING ITS EXPORTS (ONLY 15 PER-
CENT OF CURRENT PRODUCTION)

-- EXPANSION WILL REQUIRE LITTLE IMPORTED
MATERIAL

(2) AID TO NATIONALIZED INDUSTRY - BUDGETED
FUNDS FOR LOANS TO STATE-OWNED INDUSTRY IN 1975 ARE
INCREASED BY 1 BILLION FRANCS, TO 1.7 BILLION TOTAL.

(3) ADDITIONAL AID TO THE RECONVERSION OF

MEDIUM AND SMALL-SIZED BUSINESS IS PROVIDED THROUGH 250 MILLION FRANCS IN NEW CREDITS, ADDED TO 1.3 BILLION ALREADY AVAILABLE. THESE FUNDS ARE ADMINISTERED BY AN INTERMINISTERIAL COMMITTEE FORMED IN DECEMBER TO HANDLE PROBLEMS REQUIRING ASSISTANCE BEYOND THE REGIONAL LEVEL.

(4) ADVANCE PAYMENT OF FUNDS ALLOTTED TO FRANCE THROUGH EUROPEAN REGIONAL DEVELOPMENT FUND. A UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 10475 02 OF 03 242058Z

TOTAL OF 360 MILLION FRANCS ACCORDED TO FRANCE BY THE EUROPEAN DEVELOPMENT FUND (240 IN CONTRACT AUTHORITY AND 120 IN APPROPRIATIONS) WILL BE MADE AVAILABLE THIS YEAR BY THE GOF (WHICH WILL LATER BE REIMBURSED). FUNDS WILL BE USED TO INCREASE REGIONAL DEVELOPMENT PREMIA OR OTHERWISE ENHANCE THE REGIONAL DEVELOPMENT PROGRAM IN THE WEST AND CENTER OF FRANCE AND TO EXPAND, BY 36 MILLION FRANCS, SPECIAL PROGRAM FOR DEVELOPMENT OF OVERSEAS DEPARTMENTS (FIDOM).

(5) SUBSIDIZED 5 BILLION FRANC LOAN. STATE CREDIT INSTITUTIONS (CREDIT NATIONAL, CREDIT HOTELIER, REGIONAL DEVELOPMENT CORPORATIONS) AND AN ASSOCIATION OF SMALL AND MEDIUM SIZED INDUSTRIES WILL COMBINE TO FLOAT GOVERNMENT-GUARANTEED LOAN OF 5 BILLION FRANCS ON DOMESTIC CAPITAL MARKET. FUNDS RAISED WILL BE LOANED TO BUSINESSES WHICH UNDERTAKE, BEFORE THE END OF 1975, TO EXPAND THEIR PRODUCTIVE FACILITIES. SUCH EXPANSION SHOULD EITHER CREATE NEW JOBS, ENHANCE PRODUCTIVE CAPACITY OR PROMOTE ENERGY CONSERVATION. LOANS MAY COVER UP TO 60 PERCENT OF THE NEW INVESTMENT (INCLUDING BUILDINGS). THEY WILL BE FOR 15 YEARS, WITH REIMBURSEMENT OF THE PRINCIPAL SUBJECT TO A FIVE-YEAR GRACE PERIOD, DURING WHICH INTEREST WILL BE AT RATE OF 8.5 PERCENT WITH FRENCH TREASURY PAYING SUBSIDY TO COVER DIFFERENCE BETWEEN THAT RATE AND COST OF BORROWING.

(6) NEW PROVISIONS FOR CREDIT MEASURE TO STIMULATE EXPORT-ORIENTED INVESTMENT. SEE PARIS 10427.

4. ITEMS REQUIRING LEGISLATIVE AUTHORIZATION WILL BE INCORPORATED INTO SUPPLEMENTARY BUDGET BILL (COLLECTIF BUDGETAIRE) TO BE SUBMITTED TO PARLIAMENT. THIS BILL WILL ALSO INCORPORATE DECISIONS PREVIOUSLY TAKEN TO AID AGRICULTURE AND CONSERVE ENERGY AND WILL INCLUDE AN ADDITIONAL 110 MILLION FRANCS IN VALUE ADDED TAX REIMBURSED TO FARMERS AND AN INCREASE IN CREDITS FOR PUBLIC HOUSING.

5. FINANCE MINISTER FOURCADE ANNOUNCED THAT NEW
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 10475 02 OF 03 242058Z

MEASURES WOULD ENTAIL AN ADDITIONAL 15.5 BILLION
FRANCS IN GOVERNMENT EXPENDITURES THIS YEAR, AND WOULD
PRODUCE AN ADDITIONAL 20 BILLION FRANCS IN ORDERS FOR
PRODUCTIVE EQUIPMENT. HE STATED (TO THE ASSEMBLY
FINANCE COMMITTEE) THAT NEW MEASURES WOULD ENTAIL
NO BUDGET DEFICITS EITHER THIS YEAR OR NEXT. THE
FULL EFFECTS OF THIS INJECTION INTO THE OVERALL
ECONOMY ARE EXPECTED TO BE FELT ONLY TOWARDS THE END
OF THIS YEAR. RELATIVE TO EMPLOYMENT FOURCADE PREDICTED
THAT FIRST EFFECTS WOULD BE TO REDUCE PARTIAL UNEMPLOY-
MENT AND THEN CREATE SOME NEW JOBS IN MACHINE TOOL AND
RELATED INDUSTRIES. ANY SIGNIFICANT REDUCTION IN THE
NUMBER OF JCB SEEKERS WOULD TAKE PLACE ONLY TOWARDS
THE END OF THE YEAR. HE PREDICTED THAT THIS YEAR'S
RATE OF REAL GROWTH WOULD BE SOMEWHERE BETWEEN 2 AND
3 PERCENT. (FRANCOIS CEYRAC, PRESIDENT OF FRENCH
PATRONAT EXPRESSLY NOTED THAT LATTER FIGURE WAS TOO
OPTIMISTIC.)

6. FIRST REACTIONS TO THE PROGRAM, ON THE PART OF
BUSINESS AS WELL AS LABOR, AMOUNT TO SOMETHING LESS
THAN FULL SATISFACTION. THE PATRONAT AND PARIS CHAMBER
OF COMMERCE EXPRESS THE RESERVATION THAT THE GOVERNMENT'S
PROGRAM, BASED LARGELY ON A WILLINGNESS OF PRODUCERS TO

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 10475 03 OF 03 242054Z

72
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PM-03 H-02 L-02 PA-02 PRS-01 USIA-15 /103 W

----- 033449

R 242039Z APR 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8793

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 03 OF 03 PARIS 10475

GO INTO DEBT (EVEN ON FAVORABLE TERMS) FOR NEW EQUIPMENT, MAY NOT GO FAR ENOUGH OR FAST ENOUGH. THE COMMUNISTS PREDICTABLY BELABORED THE PRESIDENT FOR GIVING AID TO THE LARGE COMPANIES WHILE NEGLECTING THE CURRENT PLIGHT OF THE WORKERS. CERTAINLY, IF GISCARD BROACHED THE TOPIC, HE OFFERED LITTLE IN THE WAY OF SHORT-TERM SOLUTIONS TO FRANCE'S UNEMPLOYMENT PROBLEMS. HE ALSO PROMISED FORMER FRENCH RESIDENTS OF ALGERIA THAT SPECIAL MEASURES WOULD BE TAKEN TO AID THEM, BUT OFFERED NO SPECIFICS. FOR THE MOMENT THEN, THE GOVERNMENT HAS STUCK TO ITS CONVICTION THAT THE ECONOMY CANNOT BE RESTIMULATED THROUGH CONSUMPTION IF INFLATION IS TO CONTINUE TO BE SLOWLY REDUCED. IN THIS SENSE, THE LATEST STEPS WILL BRING NO IMMEDIATE BENEFITS TO THE AVERAGE FRENCHMAN.

7. THE PRESIDENT ALSO ANNOUNCED THAT IN A MONTH HE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 10475 03 OF 03 242054Z

WOULD REPORT TO THE FRENCH PEOPLE ON HIS FIRST YEAR
AS CHIEF OF STATE.

8. EMBASSY POUCHING TEXT OF GISCARD'S ADDRESS TO
EUR/WE.
RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, GOVERNMENT BUDGET, PRESS CONFERENCES, ECONOMIC PROGRAMS, ANTIINFLATIONARY PROGRAMS, TAX RELIEF
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS10475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750144-0927
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750420/aaaaasvw.tel
Line Count: 322
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2003 by SilvaL0>; APPROVED <03 FEB 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GISCARD ANNOUNCES NEW MEASURES TO STIMULATE ECONOMY
TAGS: EFIN, FR, (GISCARD D'ESTAING, VALERY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006